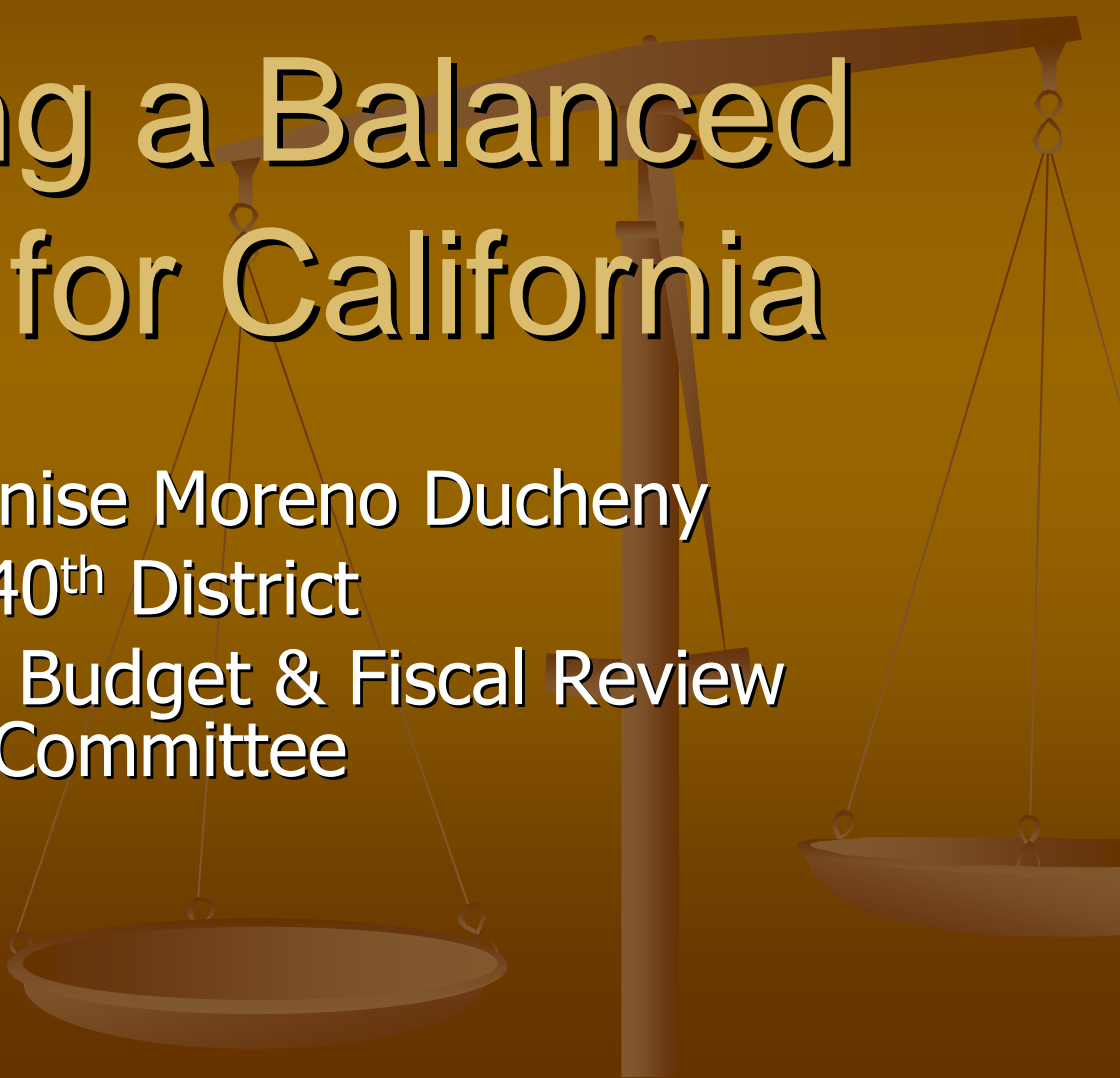


# Reaching a Balanced Budget for California

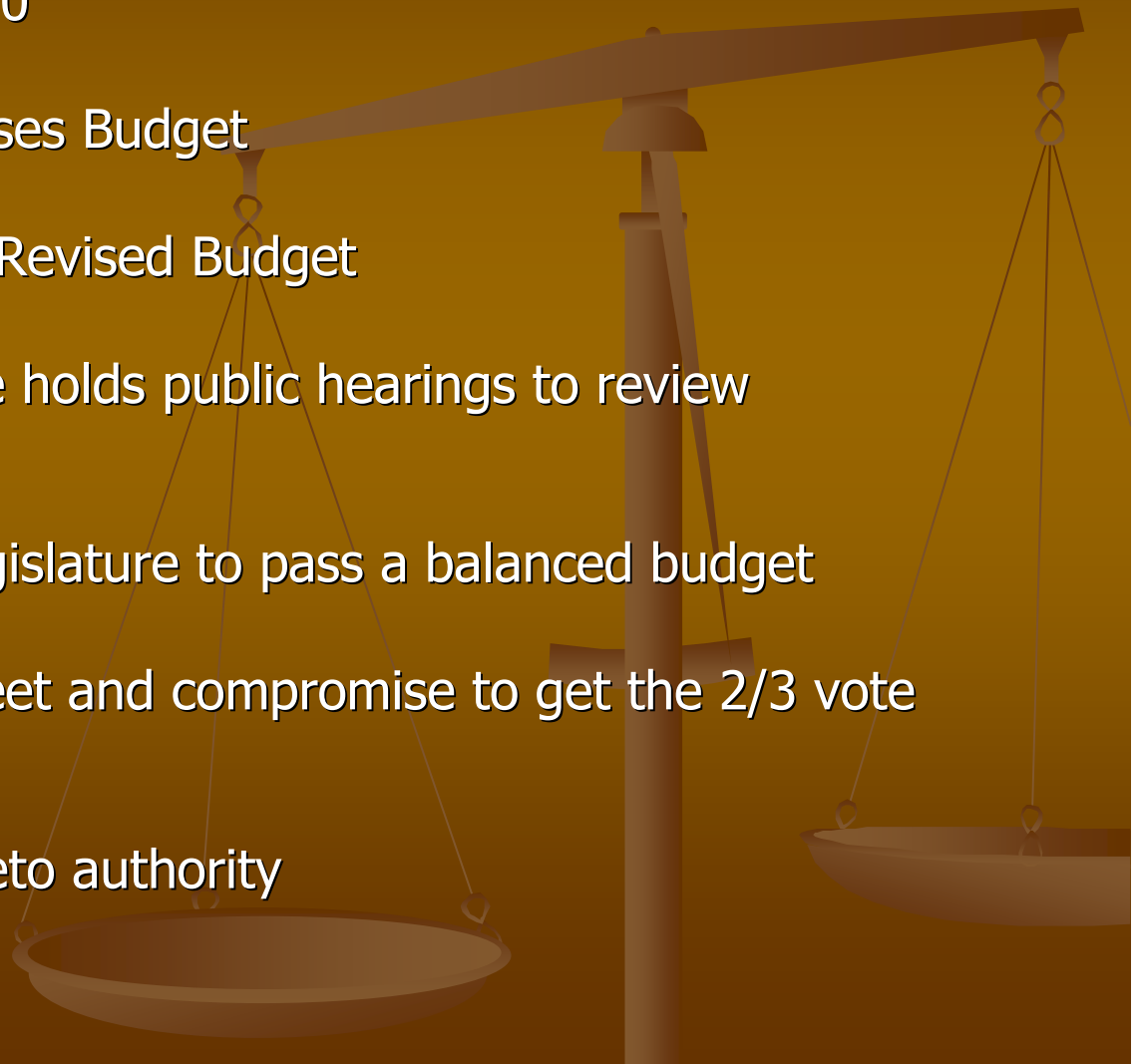


Senator Denise Moreno Ducheny  
40<sup>th</sup> District

Chair, Senate Budget & Fiscal Review  
Committee

# Budget Process

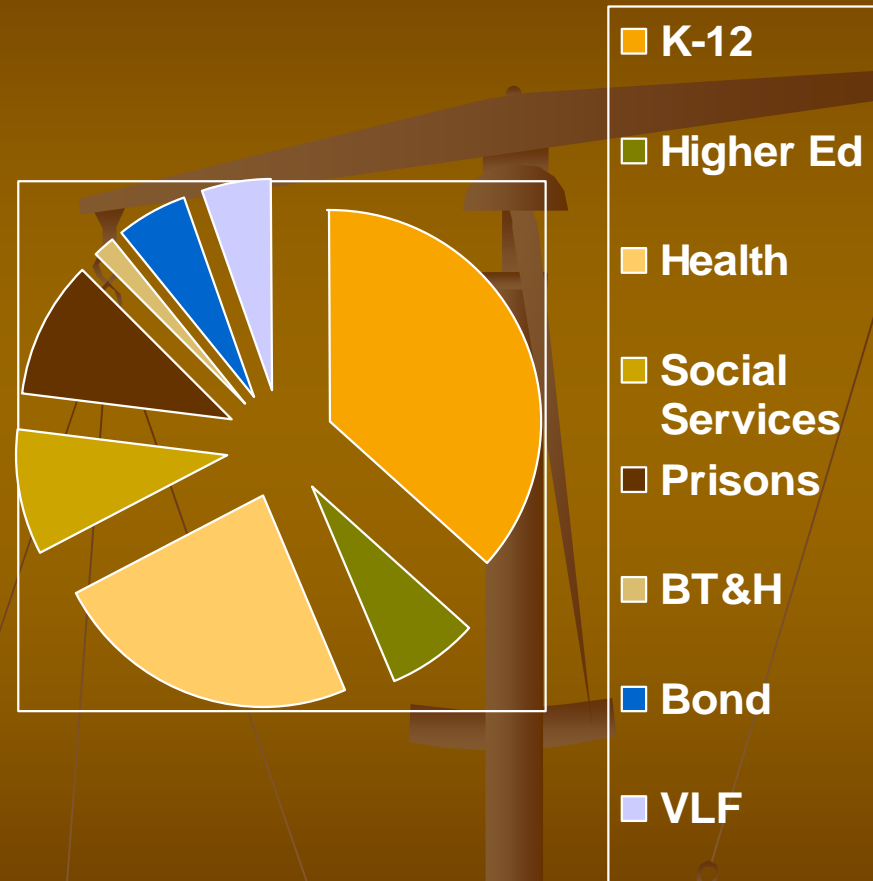
- Fiscal Year: July 1-June 30
- January: Governor Proposes Budget
- May: Governor Proposes Revised Budget
- January-June: Legislature holds public hearings to review Governor's proposal
- June 15: Deadline for Legislature to pass a balanced budget
- Sometimes, the BIG 5 meet and compromise to get the 2/3 vote required in each house
- Governor has line-item veto authority



# What does the State's General Fund pay for?

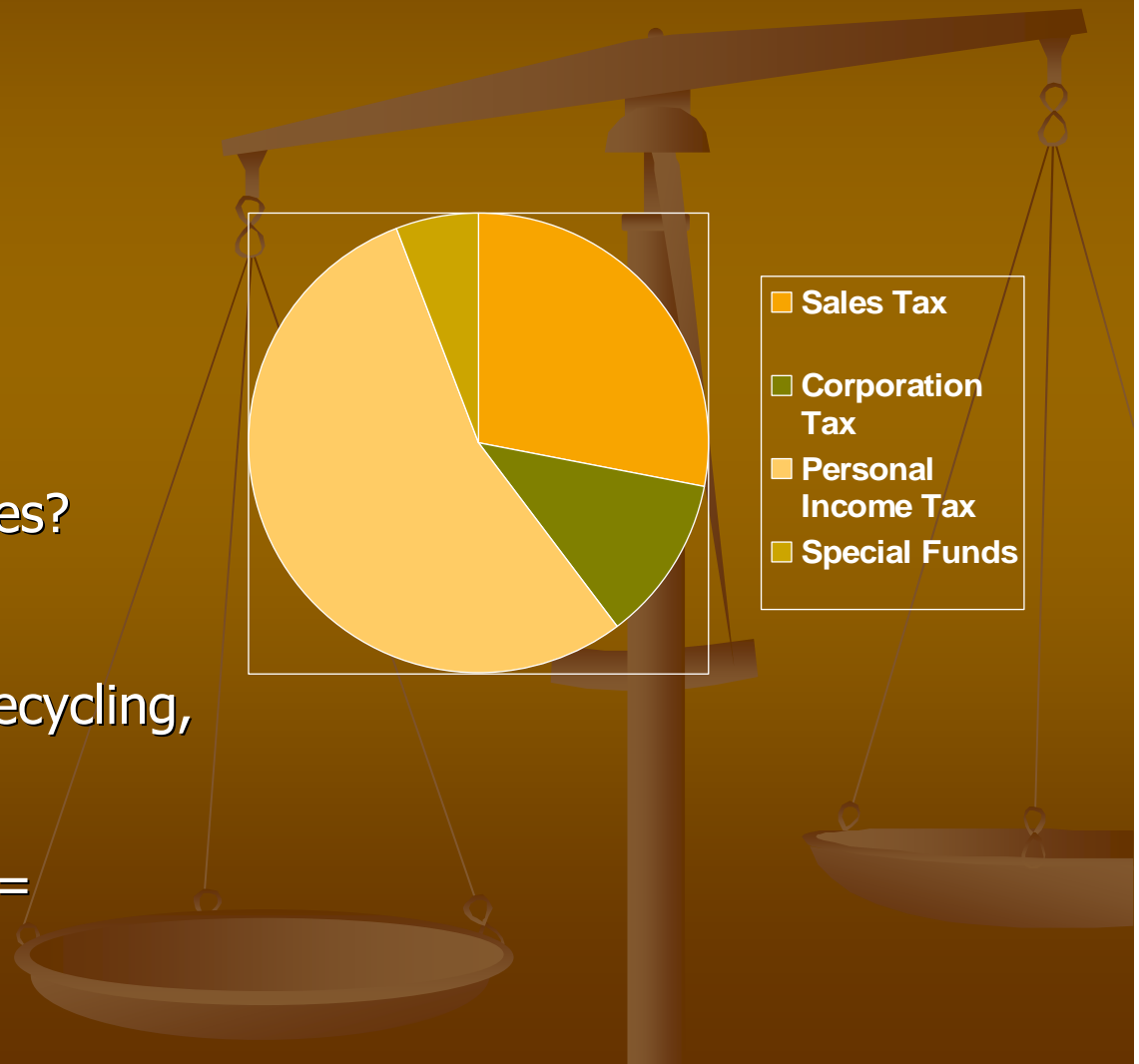
## 2008-2009 GF Budget

- K-12 Education: 34%
- Higher Ed: 6.5%
- Health: 22%
- Social Services: 9%
- Prisons: 10%
- Business, Transportation & Housing: 1.5%
- Bond Repayments: 5%
- VLF Backfill: 5%

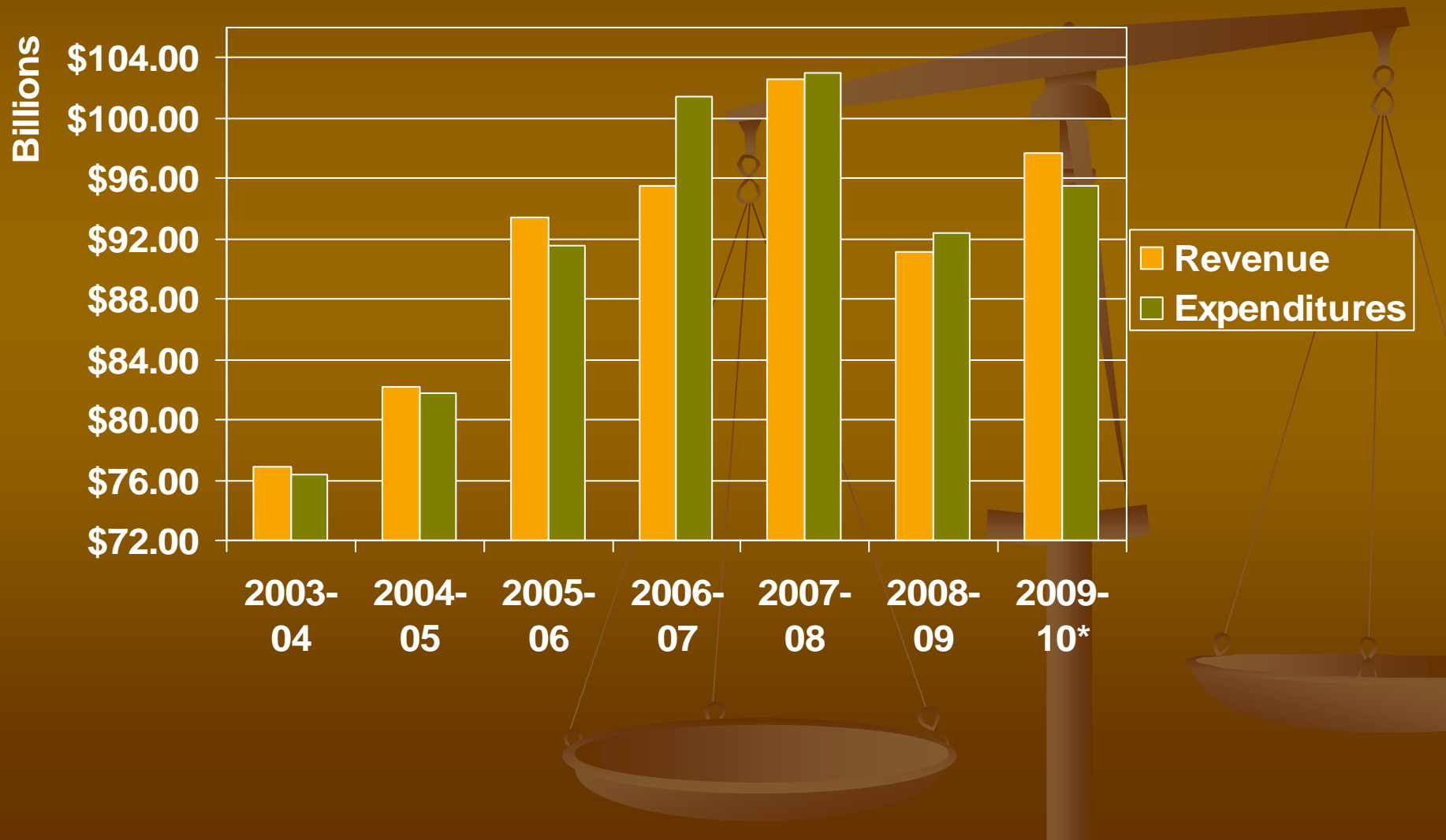


# How do we finance our needs?

- Sales Tax
  - \$27 billion in 08-09
- Corporation Taxes
  - \$10.5 billion in 08-09
- Personal Income Tax
  - \$48 billion in 08-09
  - Who pays income taxes?
- Special Funds and Fees
  - Vehicle registration, recycling, gasoline, etc.
- Total 2008-09 GF Budget= \$95.5 billion

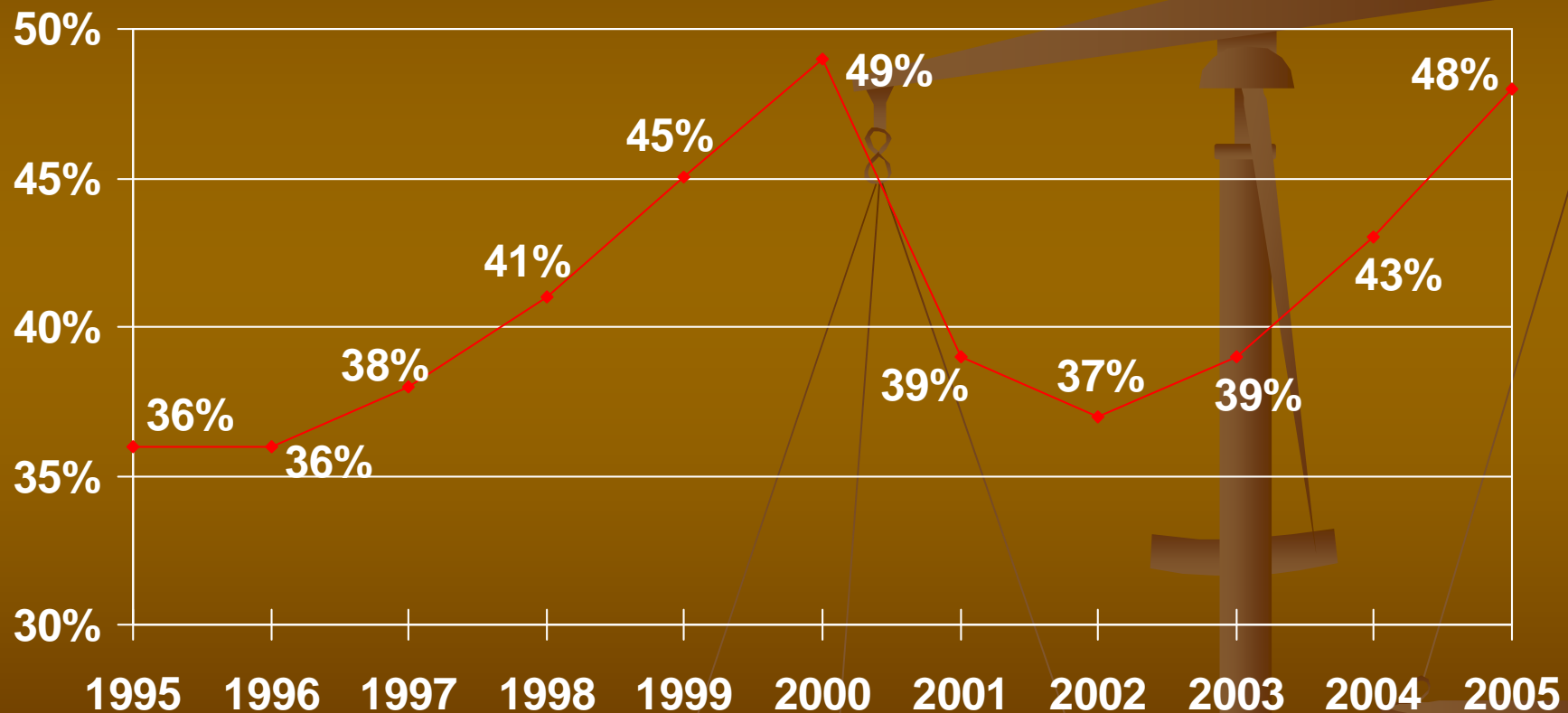


# California General Fund Revenue Vs. Expenditures



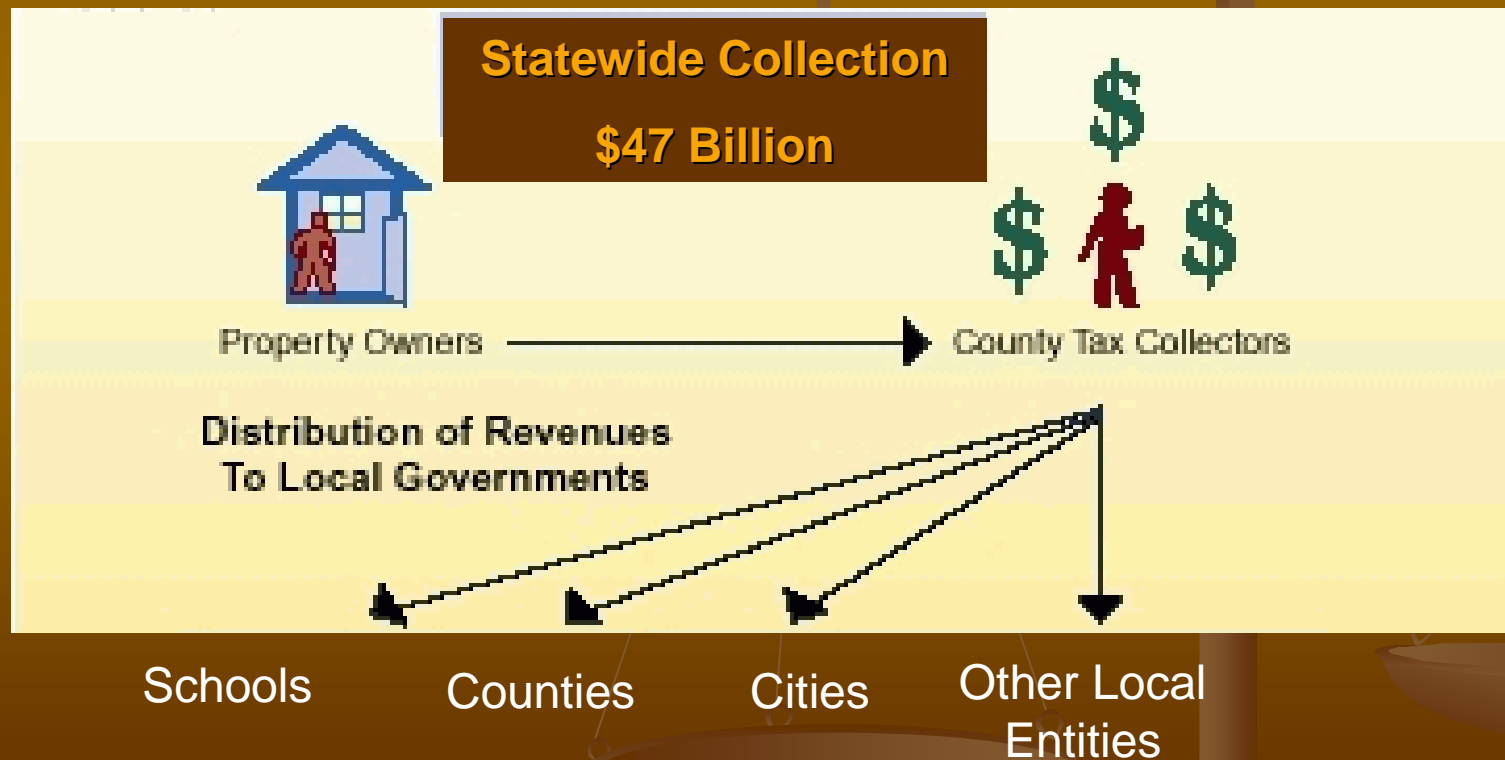
# Share of PIT Paid By Top 1% of Taxpayers-

*Remember, PIT Totals \$56 Billion*



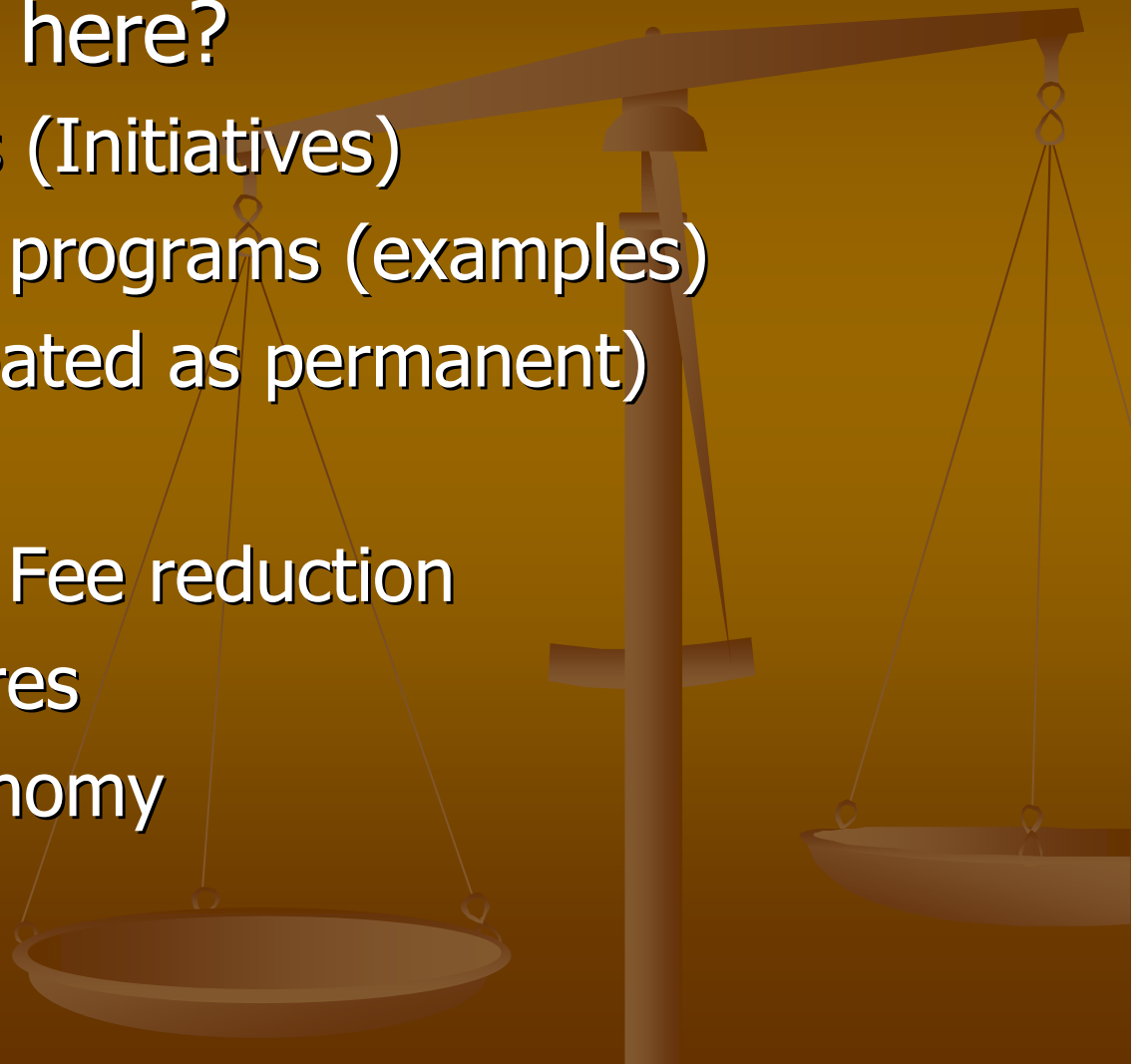
# Where do Property Taxes Go?

**ALL STAYS LOCAL**



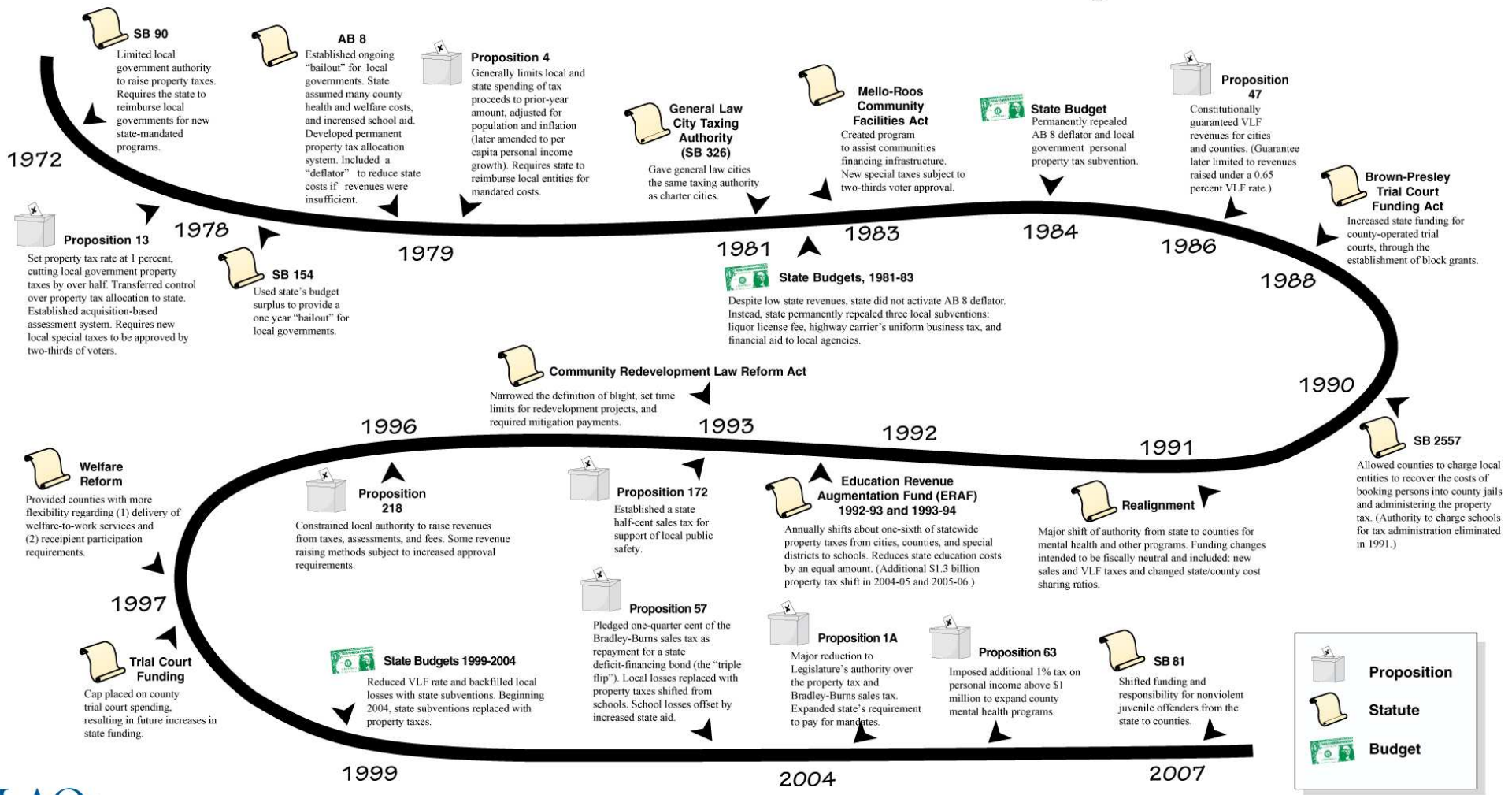
# Current Crisis

- How did we get here?
  - Voter Mandates (Initiatives)
  - Federal Cuts to programs (examples)
  - Tax Credits (treated as permanent)
  - COLAs
  - Vehicle License Fee reduction
  - New Expenditures
  - California's Economy





# Major Milestones in State/Local Fiscal Relationship



# Major Propositions Affecting the State General Fund

## Dedicated Tax Revenues

November 1988	Proposition 99	Provides a 25 cent per pack tax on cigarettes and dedicates the more than \$300 million annually to tobacco education and health care services for low-income persons.
November 1993	Proposition 172	Raises the statewide sales tax rate by one-half cent and dedicates the \$3 billion in annual funds to local public safety purposes.
November 1998	Proposition 10	Provides a 50 cent per pack tax on cigarettes and dedicates the roughly \$600 million annually to early childhood development programs.
November 2004	Proposition 63	Enacts a state personal income tax surcharge of 1 percent that applies to taxpayers with annual taxable incomes of more than \$1 million. The proceeds of the tax surcharge (about \$1.6 billion annually) are earmarked to finance an expansion of community mental health programs.

## Locked in State Spending

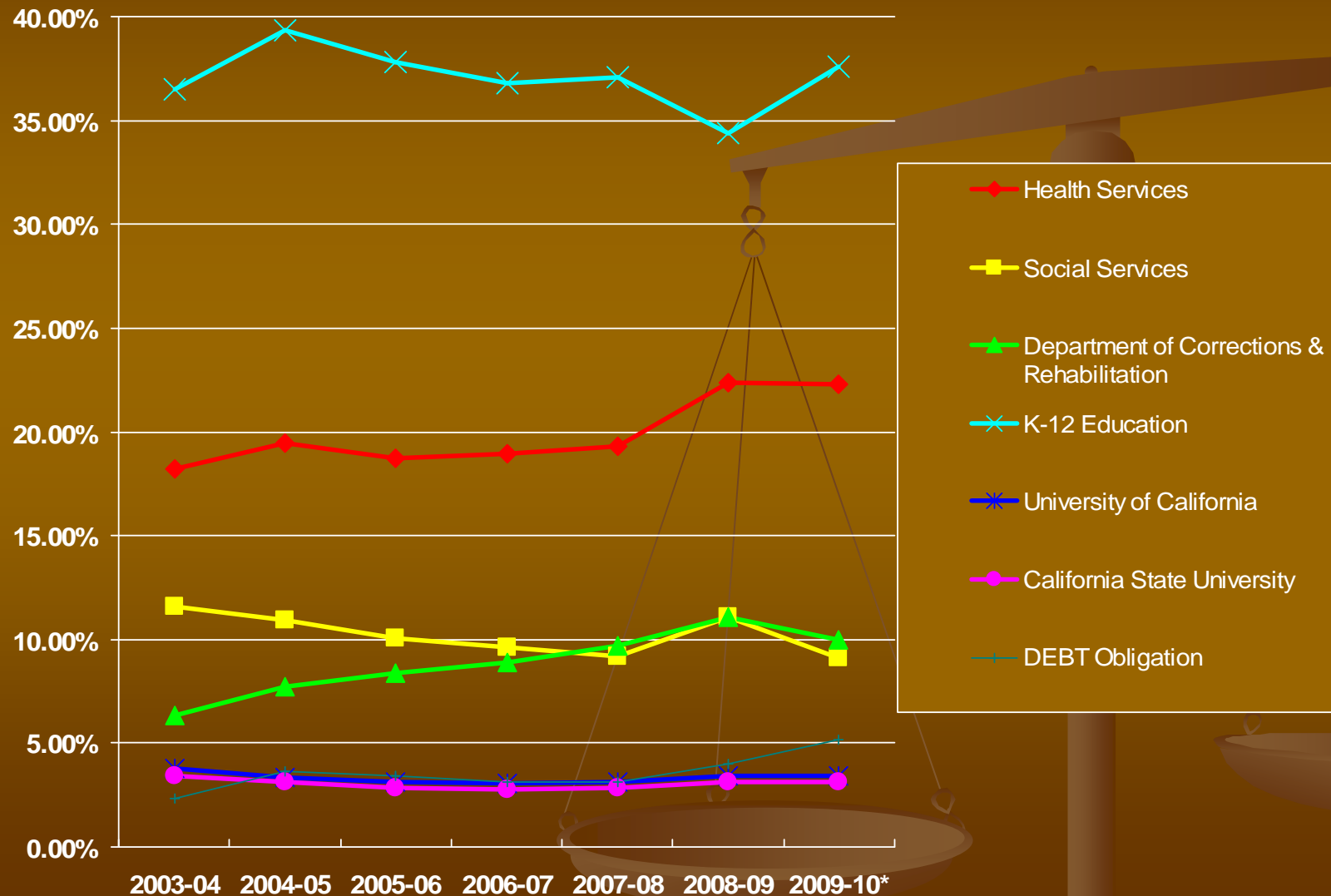
November 1988	Proposition 98	Provides for a minimum level of total spending (General Fund and local property taxes combined) on K-14 education in any given year. The required General Fund contribution is roughly 40 percent of the state's budget.
March 2002	Proposition 42	Directs \$1.5 billion in sales taxes on gasoline to transportation purposes. (Reflected as General Fund spending.)
November 2002	Proposition 49	Requires that the state spend a certain amount (currently \$550 million) on afterschool programs.
November 2004	Proposition 1A	Restricts the Legislature from altering local government revenues in many cases. In prior years, the state took such actions which helped the state's General Fund.
November 2006	Proposition 1A	Restricts the circumstances in which the Legislature could suspend the Proposition 42 transfer for transportation.

# How Many State Workers ?

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Legislative, Executive and Judicial	15,354.5	15,067.5	14,613.7	14,180.5	14,671.8	15,193.0
State & Consumer Services Agency	14,927.3	14,883.9	15,038.6	14,739.3	14,862.4	15,257.6
Business Transportation & Housing	44,851.8	43,236.1	41,395.0	41,450.1	41,342.7	41,313.4
Trade & Commerce Agency	293.5	189.5	53.3	0.0	0.0	0.0
Resources	15,914.6	15,584.7	15,091.2	14,782.5	14,906.5	15,447.3
Environmental Protection Agency	4,659.8	4,462.0	4,251.7	4,153.1	4,170.3	4,229.3
Health & Human Services	30,372.3	29,857.6	28,970.2	28,794.2	28,876.6	29,281.8
<b>Corrections</b>	<b>48,796.4</b>	<b>49,268.5</b>	<b>48,461.0</b>	<b>48,740.0</b>	<b>50,171.0</b>	<b>53,321.6</b>
K-12 Education	2,874.2	2,826.6	2,693.0	2,634.9	2,647.2	2,700.5
<b>Higher Education</b>	<b>119,202.9</b>	<b>118,933.6</b>	<b>119,346.2</b>	<b>116,526.7</b>	<b>119,326.1</b>	<b>132,274.0</b>
Labor & Workforce Development	12,234.6	12,275.2	11,650.2	12,153.8	11,702.5	11,794.1
General Government	14,120.9	14,809.1	15,295.7	15,529.0	14,916.1	14,571.1
<b>TOTAL EMPLOYEES</b>	<b>323,602.8</b>	<b>321,394.3</b>	<b>316,859.8</b>	<b>313,684.1</b>	<b>317,593.2</b>	<b>335,383.7</b>

# Where has spending increased?

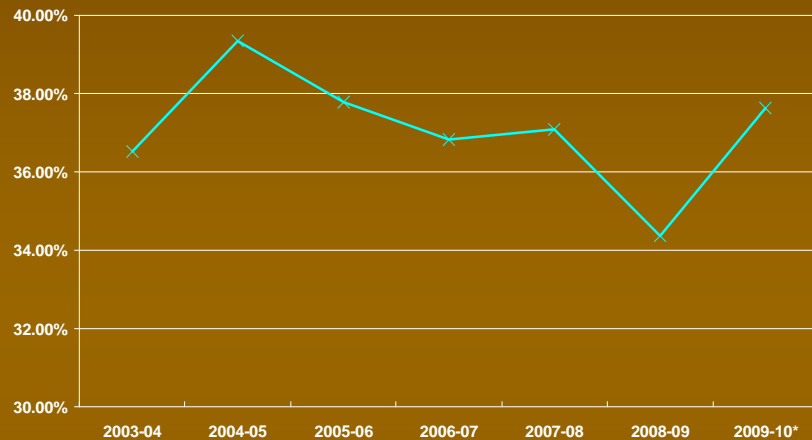
As a % of the Total State GF (2003-04 to 2009-10\*)



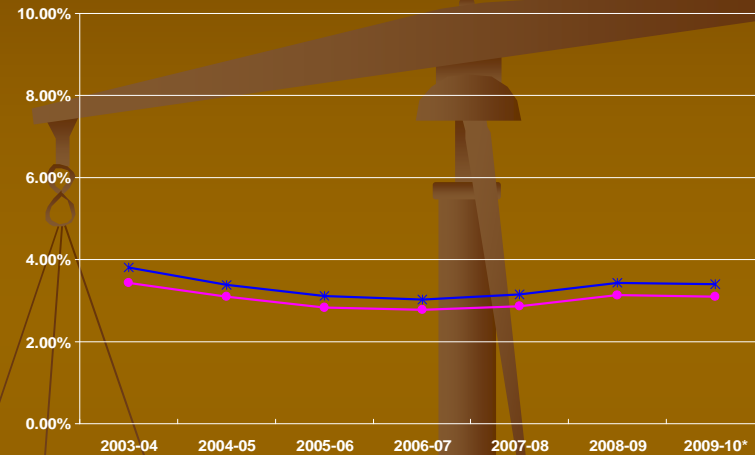
# Spending by Category

As a % of the Total State GF (2003-04 to 2009-10\*)

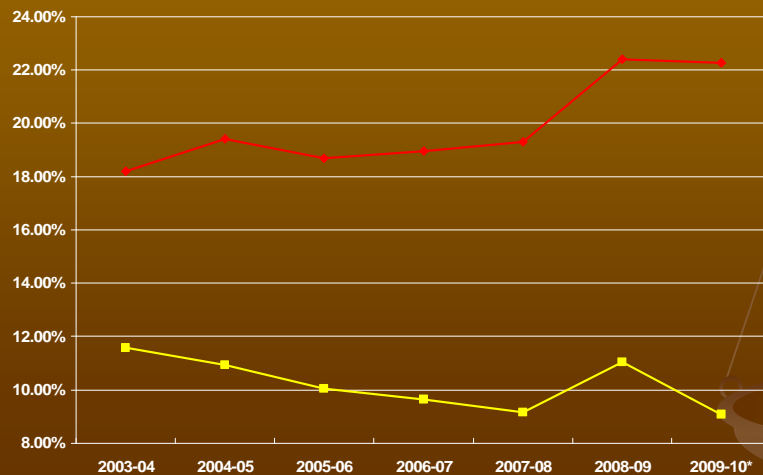
EDUCATION



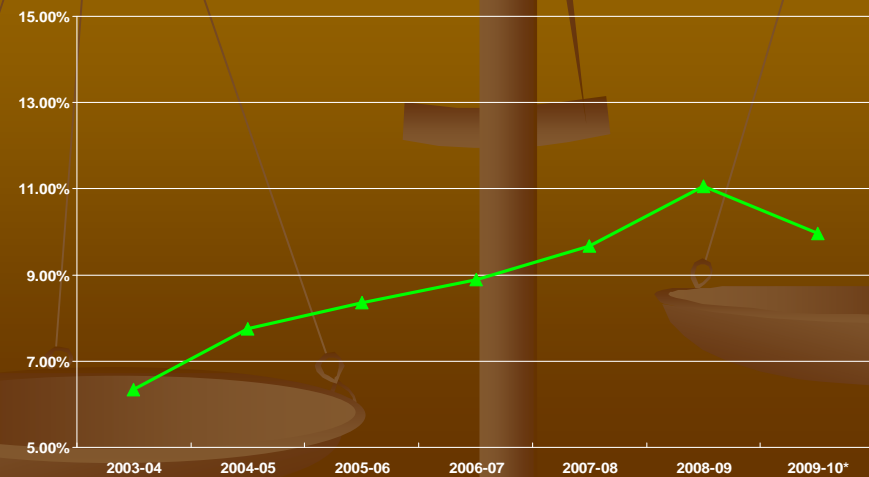
UC (blue) & CSU (pink)



HEALTH (red) & SOCIAL SERVICES (yellow)



CORRECTIONS

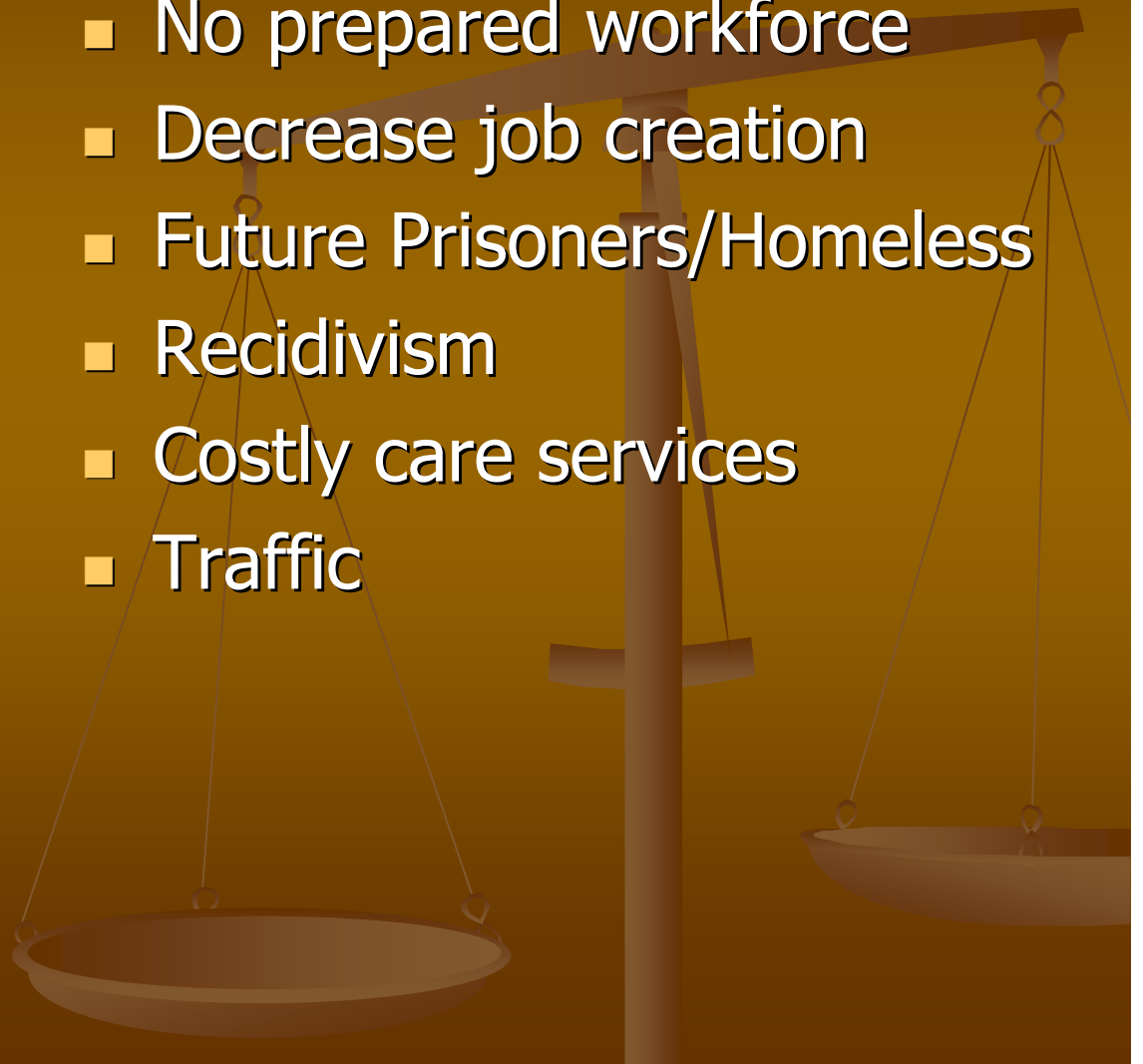


# Budget Perspectives:

<u>Pay NOW</u>	<u>Pay LATER</u>
<ul style="list-style-type: none"><li>■ Education</li><li>■ Higher Education</li><li>■ Foster Children</li><li>■ Parolees</li><li>■ Seniors, disabled</li><li>■ Freeways</li></ul>	<ul style="list-style-type: none"><li>■ No prepared workforce</li><li>■ Decrease job creation</li><li>■ Future Prisoners/Homeless</li><li>■ Recidivism</li><li>■ Costly care services</li><li>■ Traffic</li></ul>

- Education
- Higher Education
- Foster Children
- Parolees
- Seniors, disabled
- Freeways

- No prepared workforce
- Decrease job creation
- Future Prisoners/Homeless
- Recidivism
- Costly care services
- Traffic



# Questions/Comments

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